

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 EB-08 TRSE-00 AGRE-00 COME-00 DOE-15 SOE-02
OES-07 /105 W
-----013744 100503Z /12

R 081636Z JUN 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2606
INFO AMEMBASSY BOGOTA
USCINCLANT NORFOLK VA
USINCSO QUARRY HEIGHTS

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USCINCLANT FOR POLAD

E.O. 11652: N/A
TAGS: EAGR EFIN EINV PEPR PINT CO JM VE
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 4992

SUMMARY: ANNUAL COMPTROLLER'S REPORT SLAMS GOV
ADMINISTRATION FOR INEFFICIENCY AND CORRUPTION.
VENEZUELAN INVESTMENT FUND TO DISBURSE \$2.1 BILLION
IN 1978. COLOMBIAN ELECTION STIRS WIDESPREAD INTEREST.
JAMAICA VISIT OF PRESIDENT PEREZ SCORES HIGH IN
VENEZUELA GOV TO LIBERALIZE IMPORTS OF SELECTED
FOOD ITEMS. GOV LAUNCHES A PROJECT TO ENHANCE OIL
RECOVERY. END SUMMARY.

1. COORUPTION AND INEFFICIENCY HIGHLIGHTS COMPTROLLER
GENERAL'S REPORT.

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ON MAY 31, THE COMPTROLLER GENERAL JOSE ANDRES OCTAVIO
PRESENTED HIS ANNUAL REPORT TO THE CONGRESS IN WHICH HE
ONCE AGAIN CITED PUBLIC CORRUPTION AND INEFFICIENCY AS THE
MAJOR ILLS FACING THE PUBLIC SECTOR. THE REPORT CONCLUDED
THAT THE NATION CONTINUES TO SUFFER "FROM A LACK OF
MORALITY IN PUBLIC ADMINISTRATION AND..ILLICIT ENRICHMENT."
IT DID NOT, HOWEVER, CITE SPECIFIC EXAMPLES. IT DID

LIST MAJOR FISCAL AND BUDGETARY FAULTS IN GOVERNMENT AGENCIES, SUCH AS LACK OF INTER-AGENCY COORDINATION, SLOW DEPT PAYMENT, AND SLOPPY ACCOUNTING. AMONG OTHERS CITED IN THE REPORT, THE VENEZUELAN GUAYANA CORPORATION (CVG), THE BANCO INDUSTRIAL, THE VENEZUELAN INVESTMENT FUND (FIV), CADAFE, THE STATE ELECTRIC COMPANY, CORPOMERCADEO, THE STATE AGRICULTURAL MARKETING INSTITUTE, AND INOS, THE STATE WATERWORKS AGENCY, CAME IN FOR SPECIFIC CRITICISMS. THE REPORT CITED DEFICIENCIES IN ACCOUNTING PROCEDURES FOR ALL THE MINISTRIES, BUT GAVE GENERALLY HIGH MARKS TO THE MINISTRIES OF FOREIGN AFFAIRS, DEFENSE, JUSTICE, ENVIRONMENT, INFORMATION, AND DEVELOPMENT. PRESIDENT PEREZ AND THE CABINET SAID THEY WOULD CAREFULLY CONSIDER THE REPORT. OCTAVIO TOLD THE PRESS THAT HE COULD NOT ESTIMATE THE EXTENT OF ADMINISTRATION CORRUPTION BECAUSE MANY CASES WERE NOT CRIMINAL ACTS BUT RATHER SYSTEMIC DEFICIENCIES. COMMENT: THE COMPTROLLER GENERAL'S ANNUAL REPORTS GET GOOD PRESS PLAY, BUT RARELY ARE TRANSLATED INTO ACTION. EVEN OCTAVIO DOWNPLAYED THE SPECIFIC ISSUE OF CORRUPTION BY NOTING, IN EFFECT, THAT IT IS ENDEMIC. ON A RELATED NOTE, A FEW DAYS BEFORE THE RELEASE OF THE COMPTROLLER'S REPORT, THE SECRETARY GENERAL OF THE PRESIDENCY, CARMELO LAURIA, STATED IN A PUBLIC SPEECH THAT CORRUPTION IS INDEED A MAJOR PROBLEM WHICH COULD EVENTUALLY CALL INTO QUESTION THE SOCIAL FABRIC OF VENEZUELA. LAURIA'S REMARKS WERE CONSIDERED IMPOLITIC BY AD POLITICANS WHO WONDERED LIMITED OFFICIAL USE

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WHY HE HAD DECIDED TO VENT THIS ISSUE SO OPENLY IN THE MIDST OF THE PRESIDENTIAL CAMPAIGN. PRESIDENT PEREZ TOLD THE PRESS SUBSEQUENTLY THAT HE WOULD, OF COURSE, ROOT OUT ILLICIT BEHAVIOR BY PUBLIC OFFICIALS WHEREEVER IT OCCURRED. LAURIA'S SPEECH IS ALREADY HALF FORGOTTEN. PROBABLY THE COMPTROLLER GENERAL'S REPORT WILL SUFFER THIS SAME FATE, GIVEN THE POLITICAL CONSTRAINTS IN A ELECTION YEAR ON COLLECTING SUFFICIENT INFORMATION, MUCH LESS DECIDING TO USE IT TO TRY OFFICIALS IN COURT. AND, FINALLY, COPEI, WITH ALL THIS AMMUNITION AT HAND, HAS BEEN TRYING TO USE THE CORRUPTION ISSUE AGAINST THE PEREZ ADMINISTRATION AND BY IMPLICATION, AGAINST PINERUA, BUT HAS BEEN UNABLE TO LIGHT ANY FIRES. CORRUPTION SIMPLY IS NOT AN INCENDIARY ISSUE HERE.

2. VENEZUELAN INVESTMENT FUND TO DISBURSE \$2.1 BILLION IN 1978.

ACCORDING TO A VENEZUELAN INVESTMENT FUND (FIV) RELEASE, THE FIVE EXPECTS TO DISBURSE BS. 9,176 MILLION DURING 1978 (\$2,143 MILLION). OF THIS AMOUNT, AN ESTIMATED BS. 8309 MILLION (\$1,941 MILLION) IS EARMARKED FOR NATIONAL

DEVELOPMENT PROJECTS AND BS. 868 MILLION (\$203 MILLION) FOR INTERNATIONAL COMMITMENTS, PRIMARILY IN THE CENTRAL AMERICAN AND CARIBBEAN AREAS. THROUGH DECEMBER OF 1977, THE FIV HAD DISBURSED A TOTAL OF BS. 16,477 MILLION (\$3,850 MILLION) OF WHICH BS. 10,678 MILLION (\$2,495 MILLION) WENT TO DOMESTIC PROJECTS AND THE REAMINDER (BS. 5,799 MILLION OR \$1,355 MILLION) TO INTERNATIONAL PROGRAMS. THUS, BY THE END OF THIS YEAR, THE FIV IS EXPECTED TO HAVE COMMITTED BS. 25,316 MILLION, OR \$5,915 MILLION.

3. COLOMBIAN ELECTION DRAWS VENEZUELAN ATTENTION. DESPITE THE RIVETING EFFECT OF THE DOMINICAN REPUBLIC ELECTION ON VENEZUELAN ATTENTION, POLITICAL LEADERS HERE HAVE TURNED TO LOOK AT VENEZUELA'S WESTERN NEIGHBOR AT ELECTION LIMITED OFFICIAL USE

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TIME. SPOKESMEN FOR BOTH AD AND COPEI EXPRESSED CONCERN OVER THE LOW VOTER TURNOUT, ONE CALLING THE PROCESS "DEMOCRACY WITHOUT THE PEOPLE." A PHENOMENON CAUSED BY PARTIES SUBSISTING ON "HISTORIC INERTIA" WHICH DID NOT NEED TO SEEK STRENGTH FROM THE MASSES. IN GENERAL, HOWEVER, COMMENTARY WAS MODERATE, SUGGESTING A CAUTIOUS OPTIMISM FOR INCREASED DEMOCRATIC INITIATIVES IN COLOMBIA AND REFLECTING A VIEW THAT PRESIDENT-ELECT TURBAY WOULD PURSUE A PATH OF "CONCORDIA," IN PART BECAUSE OF HIS NARROW VICTORY. TURBAY WAS SCHEDULED TO VISIT VENEZUELA JUNE 9 BUT POSTPONED THE TRIP AS CHALLENGER BETANCUR DEMANDED A VOTE RECOUNT. COMMENT: THE GOV IS PARTICULARLY

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INTERESTED IN SOUNDING TURBAY OUT ON A NUMBER OF BILATERAL ISSUES, MOST PARTICULARLY THE "DIFERENDO" BORDER DISPUTE IN THE VENEZUELAN GULF. PRESENT PEREZ HAS BEEN MOST ATTENTIVE TO BOUNDARY QUESTIONS, RECENTLY CONCLUDING AGREEMENTS WITH THE US AND THE NETHERLANDS ANTILLES. RESOLVING THE STICKY "DIFERENDO" BEFORE HIS TERM EXPIRES WOULD PLEASE HIM IMMENSELY BUT IS PROBABLY IMPOSSIBLE. STILL, TURBAY'S RECENT COMMENTS ON THIS ISSUE HAVE PERKED UP EARS HERE, AND PEREZ IS NO DOUBT ANTICIPATING A CHAT WITH HIM. COLOMBIA'S ECONOMIC AND POLITICAL FLUX HAS CONCERNED THE GOV, AND THERE IS SPECULATION IN SOME QUARTERS THAT SHOULD TURBAY BE SWORN IN AS PRESIDENT HE MAY NOT FINISH HIS TERM IN OFFICE. A COLOMBIAN MILITARY TAKEOVER WOULD PERCIPITATE UNSETTLING RIPPLES AMONG THE MILITARY HERE, A CONSEQUENC VENEZUELAN POLITICAL LEADERS ARE ANXIOUS TO AVOID. THE GOV IS INTERESTED IN SEEING TURBAY ESTABLISHED AS A VIABLE POLITICAL LEADER AND, WHILE PEREZ WISHES TO AVOID BEING SEEN AS A MEDDLER IN INTERNAL LIMITED OFFICIAL USE

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COLOMBIAN AFFAIRS, HE WILL BE LOOKING FOR WAYS TO BOLSTER TURBAY'S LEGITIMACY AND STATUS. END COMMENT.

4. PRESIDENT PEREZ' JAMAICA VISIT SCORES HIGH MARKS LOCALLY.

PRESIDENT PEREZ' JUNE 2-4 VISIT TO JAMAICA WAS HEAVILY COVERED BY THE LOCAL PRESS, PRESENTING PEREZ AS HE SEES HIMSELF--AN INTERNATIONAL STATESMAN WITH PROGRESSIVE IDEAS ORIENTED TO THE THIRD WORLD. EMPHASIZING VENEZUELA'S STRONG POLITICAL INTEREST IN AND COMMITMENT TO THE CARIBBEAN, PEREZ REMINDED AUDIENCES IN JAMAICA THAT A MULTILATERAL ASSITANCE EFFORT TO THE CARIBBEAN WAS VENEZUELA'S IDEA. THE GOV HAD OFFERED TO CONTRIBUTE 10 PERCENT OF THE AMOUNT SOUGHT BY THE WORLD BANK FOR ITS SPECIAL FACILITY. PEREZ URGED DONOR NATIONS TO CONSIDER A MARSHALL PLAN CONCEPT (MEANING LOTS OF MONEY, A MINIMUM OF CONDITIONS AND A MAXIMUM OF FLEXIBILITY) AS THE CRITERIA FOR DONATIONS TO CARIBBEAN DEVELOPMENT ARE ESTABLISHED (SEE CARACAS 5158).

5. GOV TO LIBERALIZE IMPORTS OF PORK, BLACK BEANS AND
CANNED SARDINES.

REPORTEDLY, THE DEVELOPMENT MINISTRY RECENTLY ANNOUNCED
THAT IT IS EXTENDING IMPORT LICENSES TO GROCERY AND RETAIL
ASSOCIATIONS, PRODUCERS AND IMPORTERS FOR 7,500 METRIC
TONS OF PORK AND UNIDENTIFIED QUANTITIES OF CANNED
SARDINES AND BLACK BEANS. THE
LIBERALIZATION IS AIMED AT AVOIDING A SHORTAGE OF THESE
ITEMS IN THE FACE OF A RAPIDLY RISING DEMAND. A SCARCITY
OF THESE ITEMS WOULD ALSO PUT PRESSURE ON RETAIL PRICES,
SOMETHING THE GOV WANTS TO AVOID. CURRENTLY, THE GOV
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HAS SOLE CONTROL OVER THE IMPORTATION OF THESE ITEMS. A
TWICE EXTENDED 1977 GOV DECREE LIBERALIZED THE IMPORTATION
OF MANY FOOD ITEMS, INCLUDING PORK AND BLACK BEANS.
THIS ACTION BY THE GOV MAY BE THE SIGNAL THAT MORE
IMPORT LIBERALIZATIONS ARE COMING.

6. ENHANCED OIL RECOVERY PROJECT INAUGURATED.
MARAVEN, ONE OF THE FOUR MAJOR OPERATING COMPANIES IN
VENEZUELA'S NATIONALIZED OIL INDUSTRY, OFFICIALLY INAUGURATED
A \$36 MILLION ENHANCED OIL RECOVERY PROJECT ON JUNE 7.
THE M-6 CONTINUOUS STEAM INJECTION PLANT, THE LARGEST IN
THE WORLD, WAS DESIGNED BY MARAVEN ENGINEERS. IT WILL
INJECT UP TO 10,000 TONS OF STEAM PER DAY INTO A PARTIALLY
DEPLETED OIL FORMATION THROUGH 19 SPECIAL INJECTION WELLS.
THE COMBINED EFFECT OF THE STEAM'S HEAT AND PRESSURE IS
EXPECTED TO INCREASE PRODUCTION FROM THE REMAINING 132
PRODUCING WELLS IN THE PROJECT AREA BY 120 MILLION BARRELS
OVER THE PROJECT'S 20-YEAR LIFE SPAN. THIS WILL INCREASE
THE OVERALL RECOVERY RATE TO ABOVE 45 PERCENT OF THE OIL
IN PLACE, AN UNUSUALLY HIGH LEVEL GIVEN THE WEIGHT (12
DEGREES API) AND VISCOSITY OF THE OIL INVOLVED.

7. OTHER REPORTING THIS WEEK INCLUDED A REPORT ON
VENEZUELAN TERRORISM (CARACAS 5017), A COAST GUARD REQUEST
TO BOARD VENEZUELAN VESSEL M/V FIAVESA III (CARACAS
5065 AND 5078), A VENEZUELAN EXPELLED FROM THE DOMINICAN
REPUBLIC (CARACAS 5156), GOV MOVES TO INCREASE BANK
LIQUIDITY (CARACAS 4991), PRESIDENT PEREZ SUPPORTS
FOREIGN TECHNOLOGY TO DEVELOP HEAVY OIL (CARACAS 5159),
CARIBBEAN DEVELOPMENT--THE VENEZUELAN PERSPECTIVE--PEREZ'
VISIT TO JAMAICA (CARACAS 5158), AND VIASA TO PURCHASE
A300 AIRBUS (CARACAS 5115).
VAKY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL SUMMARIES, POLITICAL SITUATION
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Copy: SINGLE
Draft Date: 08 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2442839
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: EAGR, EFIN, EINV, PEPR, PINT, CO, JM, VE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ab36408f-c288-dd11-92da-001cc4696bcc
Review Markings:
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